

## As we head into spring, there are at least 17.5m people in financially vulnerable circumstances across the UK.

People are living in tough times and current market conditions are making it hard for those who are trying to help. The rising cost of living is impacting borrowers and lenders. Affordability is squeezed and millions of families are experiencing financial vulnerability for the first time.

We know many of you share our vision of a fairer financial future and we continue to be hugely grateful to all the organisations who give their time and resources to tackling financial exclusion. Together, we can make a difference to the lives of millions of people, benefit society and boost the economy.

### Dormant Assets Scheme

We've already seen the vital impact dormant assets funding can have to those in financially vulnerable circumstances, and we're delighted that financial inclusion [will remain a named cause of the expanded Dormant Assets Scheme](#). A big thank you to everyone who responded to the consultation and offered their perspectives on the future direction of dormant assets spending. Without this support our work would not be possible.

Alongside this we've been asked to deploy an extra £45m from the existing scheme to help support those struggling with the rising cost of living. We'll share more on our plans for this soon, which will include more funding for affordable credit – including funding for community finance providers to help them continue to support customers through the cost of living crisis – and expanded no interest loans and affordable consolidation loan pilots.

We will consult with providers over the coming weeks and months to inform our approach on the design and implementation of new funding programmes, and refinements to existing pilots. We will also be seeking partners to help us to deliver these programmes, including from mainstream financial services.

### Quadrennial Review and our Financial Inclusion Action Plan

At the start of the year we were pleased to receive independent recognition of the progress we've made in delivering our mission. The [Quadrennial Review](#) highlighted our strong relationships with the sector, our valuable outputs, and the support we provided during Covid-19. It also highlighted opportunities to build on our success.

Importantly, [we know that we cannot change the financial system on our own](#) and need to secure the engagement of the financial services sector at scale. We'll work to be a lot clearer on what success looks like for us and strive to improve our work with the community finance sector. As part of this we're pleased that Vince Cox has moved into the newly created role of [Community Finance Engagement Manager](#) and will be working even more closely with the sector – we'll share more in the coming weeks.

We'll be publishing a [Financial Inclusion Action Plan](#) that documents how the whole sector can collectively and permanently improve the way that financial services support customers in vulnerable circumstances in the UK. We've worked with a range of people, from financial services providers through to regulators to create this plan, setting out how everyone can come together and collectively address the key issues that drive financial exclusion. It will also contain clear commitments from us on our role in delivering that change, including how we will bring together and facilitate the activities of others and measure the impact we're having.

## Investing to grow provision through community finance

In Q4 2022 we deployed £4.3m as part of our mission to increase the availability of affordable credit. We also agreed a [£3.3m investment with Fair Finance](#), who support some of the most financially excluded in the UK.

We've now committed £30m through our Affordable Credit Scale Up Programme and the community finance providers we've invested in have doubled their lending to £47m per annum since 2020. Against the backdrop of the cost of living crisis facing borrowers, and increasing financing costs for lenders, we are working closely with our co-investors to support the resilience of these community finance providers and help them scale.

## Finding and funding solutions that work

Finding and funding solutions that work is really important, so we were pleased to agree [a £150,000 investment into My Community Bank \(MCB\)](#) to kick off a pilot which will see them offer small affordable loans to people on low incomes. What makes this different is these products will appear on price comparison websites normally only used for mainstream finance. Our aim is to trial using this route to make fair and affordable credit more easily accessible.

We look forward to seeing how this pilot progresses and if successful, we'll commit a further £350,000 to expand the pilot. We'll also be collecting best practice advice for other community finance lenders who may be interested in exploring price comparison websites.

## Payroll and deductions lending – [watch the webinar here](#)

Our [research into payroll and benefit lending](#) sought to understand the impact of these lending models on customers and lenders, and to share good practice. We found that when delivered appropriately this type of lending was positive for both borrowers and lenders – and we'd like to see more of this type of lending made available.

## Raising awareness of community finance and affordable credit

During the last quarter of 2022, we collaborated with a community finance sector awareness raising working group. Providers supplied impactful case studies that led to a wide range of regional and national coverage (40+ different pieces including [The Express](#), [This Is Money](#) and [ITV News](#)) helping to point consumers to Credit Unions and CDFIs for their financial needs.

We also saw a spike in visits to the Find Your Credit Union and Finding Finance CDFI websites, (including normal peak trading traffic, 2.5 times more visits for Find Your Credit Union and 5 times more visits for Finding Finance) as people clicked through on links to the websites in the various media pieces. The work continues into 2023 and we look forward to sharing our new PR toolkit with you shortly.



For more information and to find out how you can get involved, please get in touch with Diane Burrige at [Diane@fair4allfinance.org.uk](mailto:Diane@fair4allfinance.org.uk)

## Banking Response to Covid-19 - [read more in our report](#)

Our research found that **over 76% of bank customers** felt that the support measures that were put in place during the pandemic had a positive impact on their financial situation. It also showed that implementing support measures such as payment holidays and interest free overdrafts had no detrimental impact on banks results. Banks can seize the opportunity to offer tailored and new services to help financially vulnerable people, like they did in the pandemic.

## Increasing the financial inclusion of people from black, Asian and minority ethnic communities

We're using insights from this research to show **how banks and other financial services providers can be more inclusive of people from black, Asian and minority ethnic backgrounds**. We have formed a group of leaders from different banks, the regulator and other interested organisations to help raise awareness of the issues and use the research to create solutions and action.

## Are you making the most of our Segmentation Model?

This research helps organisations better understand, and better serve the 17.5m people in financially vulnerable circumstances in the UK. Whether it's the 18-34 year old Unsteady Starters, or the pre and post retired (Un)golden years, there's information on product ownership and marketing channels to help everyone better understand and serve these customer groups. [You can access this research here.](#)

We're keen for all financial services providers to use this research to better understand financial vulnerability and design solutions.

We look forward to sharing some updates with you in the coming weeks, and we'll have a webinar to share some updated insights from our latest survey – keep an eye out for more soon.

## Maximising income through identifying lost benefit entitlements

With a staggering [£15b of unclaimed benefits each year](#), tackling lost entitlement to maximise people's incomes is key.

Recently we supported [Moneyline](#) and [Enterprise Credit Union](#) to integrate benefits checking into their customer journeys and continue to work with others in the sector to increase opportunities to maximise people's income, as well as building this capability into the no interest loan scheme customer journeys. [You can read more about this work here.](#)

We've funded several community finance tech providers to incorporate benefits checking into their apps including, Incuto, SOAR and Nivo, with more to follow. We have also funded grant checkers to be integrated into these tools – unlocking a potential further £10m of grants that are currently very hard for customers to find.



For more information and to find out how you can get involved, please get in touch with Senthan Balachandiran at [Senthan@fair4allfinance.org.uk](mailto:Senthan@fair4allfinance.org.uk)

# Developing the market to consistently provide products

## Easing interest payments through Consolidation Loans

As we know, the crisis is putting greater strain on people's ability to repay their existing debts. And costs continue to rise on debts where interest rate rises are passed on, like credit cards. The great news is we anticipate that our existing guarantee fund will enable lending to support between 9,000 and 15,000 people to consolidate debts of £6,500 on average - and that they **will save up to £21m in interest payments**.

**We are now working with ten lenders** and expect to go live with the first ones later this year. We're grateful for their time and commitment to help improve the financial resilience of different groups. The additional funding we've received will allow us to refine how the pilot operates and to reach a broader range of people.



If you're interested in taking part, or just want to know more about the scheme then please get in touch with Vince Cox at [vince@fair4allfinance.org.uk](mailto:vince@fair4allfinance.org.uk)

## Interested in our No Interest Loan Scheme?

There's no doubt that **having access to the right financial products at the right time can transform lives**. That's why one of our key priorities is to work across the community and mainstream finance sectors to develop and pilot new and innovative products that we believe will really make a difference to those struggling to access affordable credit.

This is important because we can then share learnings of what works and what doesn't to help others develop their own solutions. And it allows us to make the case that products that have been proven to be successful should be scaled up and delivered to more people.

**After our initial No Interest Loan Scheme (NILS) proof of concept we're pleased that five providers have now launched NILS across England, Scotland and Wales, with several more organisations set to start lending in the coming months.**

The pilot tests whether offering interest free loans to customers who are unable to access or afford existing forms of credit (but who can afford to repay small sums) will improve customer outcomes and in turn benefit the wider community and boost the economy.

Early results are showing a real impact on people, with NILS supporting those who have experienced domestic abuse and providing necessary costs for people to return to work. So far roughly a third of borrowers who are proving reliable have also gone on to take out additional interest bearing loans and three quarters of them are saving.



We are keen to increase the scale of our pilot by working with medium to large credit unions, and larger mainstream or commercial lenders. We're also looking for local authorities or housing association providers who can refer potential customers into the scheme to increase the impact. If you're interested please do get in touch with [georgia@fair4allfinance.org.uk](mailto:georgia@fair4allfinance.org.uk)

## Fair4All Finance's Research Roundup - [you can find it here](#)

Our new look research roundup pulls together recently released data and research in one space, giving you bite sized insights on topics relevant to those working to improve financial inclusion.